

✓ Share w/ FM6?

Agreement for Deane Gross

DRAFT 7/10/98 7/17/98

AGREEMENT

This agreement (the "Agreement") is made as of _____, 1998, by and between Philip Morris Incorporated, a Virginia corporation with executive offices located at 120 Park Avenue, New York, New York 10017 ("Philip Morris") and International Merchandising Corporation, an Ohio corporation with executive offices located at One Erieview Plaza, Suite 1300, Cleveland, Ohio 44114 ("IMC") pursuant to which IMC will render services for Philip Morris and its **BASIC** brand under the terms and conditions stated.

1. Services.

(a) IMC will provide all services customarily performed by a professional producer of bowling tournaments in connection with the **1998 BASIC Bowling Promotion**-(the "Promotion") and other services reasonably requested by Philip Morris. **BASIC** will be the exclusive sponsor of the Promotion, which will comprise the following elements.

(i) Grass Roots Tournament Series

(A) Local Competition. The local competition will consist of a recreational tournament to be conducted by IMC in conjunction with and administered by Strike Ten Entertainment ("STE"), on behalf of the Bowling Proprietors' Association of America ("BPAA"), for male and female bowlers, 21 years of age or older (the "Bowlers"), with a verifiable 1997-1998 league average. Qualifying tournaments will take place at approximately, and in no event more than, 1,200 participating bowling centers (the "Centers") in approximately 50 **BASIC** markets designated by Philip Morris (the "Regional Markets") from September 21, 1998 through October 18, 1998. The Bowler rolling the highest game in each Center's adult bowling leagues will be named the "**BASIC** Star of the Game" and receive an award. The **BASIC** Stars of the Game will qualify to participate in an in-house local championship to be held in each Center from October 19, 1998 through November 1, 1998.

(B) In-House Championships. The format for the in-house championships will be a three game series with handicap. Bowlers will be charged a nominal entry fee not to exceed a total of \$15. As directed by Philip Morris, a portion of the entry fees collected will be contributed to the prize fund for the Regional Market Finals as described below. The balance will be applied to lineage fees.

(C) Regional Market Finals. The top ten percent of the Bowlers, as determined by scores achieved at the in-house local championships in each Center, will advance to a Regional Market Final to be completed by November 15, 1998. The format for the Regional Market Finals will be a three game series with handicap. Bowlers will compete for a separate prize fund in each Regional Market. In addition to the Regional Market Finals to be held in each participating Regional Market, a maximum of four additional regional tournaments will be held in larger Regional Markets.

2070974309

212-772-2617

(D) Pro/Am Championship. The top male and top female Bowler from each Regional Market Final will advance to a Pro/Am Championship to be held at The Orleans Hotel in Las Vegas, Nevada, on December 10 and 11, 1998. The format will be a four game series with handicap. Bowlers will compete for a total prize fund of \$125,000.

(ii) **Professional Tournament Series** (the "Professional Tournament Series")

(A) Mixed Doubles Tournament. A professional mixed doubles tournament (the "Pro Tournament") will be held on December 12 and 13, 1998 in conjunction with the Pro/Am Championship. The top 24 Professional Bowling Association ("PBA") and top 24 Professional Women's Bowling Association ("PWBA") players will compete in the Pro Tournament for a total prize fund of \$200,000. The format will be a mixed doubles competition with competitors bowling for 32 games of match play to determine the winning team.

(B) BASIC Showdown. A professional competition (the "BASIC Showdown") will be held at The Orleans Hotel in Las Vegas, Nevada, on December 10, 1998. The number one PBA bowler and the number one PWBA bowler will compete for a winner-take-all prize fund of \$30,000. The winner will be the highest scoring competitor after three games of play.

(b) IMC will develop, organize, promote and conduct the Promotion. The services to be provided by IMC will include the following.

(i) IMC will ensure that Philip Morris approves in advance all advertising, tickets, programs and promotional materials prepared by IMC in connection with the Promotion.

(ii) IMC will enter into agreements for the benefit of Philip Morris with the PBA and with STE (on behalf of the BPAA and PWBA) to conduct the Promotion. IMC must obtain Philip Morris' written approval prior to entering into the agreements with the PBA and STE. Upon execution, IMC will deliver copies of the agreements with PBA and STE to Philip Morris. IMC will ensure that the agreements with the PBA and STE contain the following terms:

(A) The PBA Agreement. The agreement with PBA will provide that in connection with the Promotion PBA will:

(1) include BASIC as an official sponsor in PBA media releases;

(2) assume responsibility for coordinating, in conjunction with the PWBA, the Pro Tournament and use best efforts to encourage PBA

members to (i) participate in the Pro Tournament and the Pro/Am Championship and (ii) attend the Pro/Am Championship reception to be held on December 10, 1998 at The Orleans Hotel in Las Vegas, Nevada or at such other date and location approved by Philip Morris;

(3) coordinate and cooperate with the public relations agency designated by Philip Morris if and when requested by Philip Morris;

(4) permit, at Philip Morris' option, the placement of **BASIC** signage at the site of all PBA tour events in the Regional Markets;

(5) grant Philip Morris exclusive tobacco sponsorship of the PBA and designate **BASIC** an official sponsor of the PBA;

(6) grant Philip Morris the right to use the PBA logo in **BASIC Bowling** related advertising and promotional materials;

(7) describe the Promotion in an article or editorial in the PBA Annual;

(8) promote the **BASIC** Pro/Am Championship and the **BASIC** Pro Tournament in public address announcements at each PBA tour event;

(9) assist Philip Morris in ensuring that PBA players will be available for and properly participate in media training sessions, interviews, public appearances, press conferences and other promotional events if, as and when requested by Philip Morris; provided, however, that if at the request of Philip Morris, PBA players make appearances in connection with activities unrelated to the Promotion, the additional appearances and payment therefor, will be the subject of a separate writing, the terms of which will be negotiated by the parties in good faith;

(10) grant Philip Morris the right to approve in advance all advertising, tickets, programs and promotional materials prepared by PBA in connection with the Promotion;

(11) grant Philip Morris the title position with the official tour point standings which will be referred to as the **BASIC** Rankings in all PBA press announcements, advertising and publications;

(12) reserve for and provide to Philip Morris a mutually agreed upon number of complimentary entries into PBA Pro/Am events in markets designated by Philip Morris;

(13) supply Philip Morris with a designated number of reserved seats at a mutually agreeable price to PBA tour events in markets of interest to Philip Morris;

(14) not conduct or participate in a competition similar to the **BASIC** Showdown without the prior written consent of Philip Morris;

(15) not conduct any special promotion which is featured in connection with the Promotion without the prior written consent of Philip Morris; and

(16) waive any entry fee to PBA bowlers in conjunction with the Pro/Am Championship or Mixed Doubles Tournament; provided, however, that IMC will pay PBA an amount equal to all such waived entry fees;

(A) **The STE/PWBA Agreement.** The agreement with STE on behalf of PWBA will provide that in connection with the Promotion PWBA will:

(1) assume responsibility for coordinating, in conjunction with the PBA, the Pro Tournament and use best efforts to encourage PWBA members to (i) participate in the Pro Tournament and the Pro/Am Championship and (ii) attend the Pro/Am Championship reception to be held on December 10, 1998 at The Orleans Hotel in Las Vegas, Nevada or at such other date and location approved by Philip Morris;

(2) coordinate and cooperate with the public relations agency designated by Philip Morris if and when requested by Philip Morris;

(3) permit, at Philip Morris' option, the placement of **BASIC** signage at the site of all PWBA tour events in the Regional Markets;

(4) grant Philip Morris exclusive tobacco sponsorship of the PWBA and designate **BASIC** an official sponsor of the PWBA;

(5) grant Philip Morris the right to use the PWBA logo in **BASIC** Bowling related advertising and promotional materials;

(6) describe the Promotion in an article or editorial in the PWBA Annual and include **BASIC** as official sponsor in PWBA media releases;

(7) promote the **BASIC** Pro/Am Championship and the **BASIC** Pro Tournament in public address announcements at each **BASIC** tour event;

(8) assist Philip Morris in ensuring that PWBA players will be available for and properly participate in media training sessions, interviews, public appearances, press conferences and other promotional events if, as and when requested by Philip Morris; provided, however, that if at the request of Philip Morris, PWBA players make appearances in connection with activities unrelated to the Promotion, the additional appearances and payment therefor, will be the subject of a separate writing, the terms of which will be negotiated by the parties in good faith;

2070974312

(9) grant Philip Morris the right to approve in advance all advertising, tickets, programs and promotional materials prepared by PWBA in connection with the Promotion;

(10) grant Philip Morris the title position with the official tour point standings which will be referred to as the **BASIC** Rankings in all PWBA press announcements, advertising and publications;

(11) reserve for and provide to Philip Morris a mutually agreed upon number of complimentary entries into PWBA Pro/Am events in markets designated by Philip Morris;

(12) notify Philip Morris prior to any Promotion event of any tobacco product fixed advertising signs or other in-place tobacco product advertising located at PWBA tour venues;

(13) include **BASIC** as an official sponsor in all PWBA media releases;

(14) not conduct or participate in a competition similar to the **BASIC** Showdown without the prior written consent of Philip Morris;

(15) not conduct any special promotion which is featured in connection with the Promotion without the prior written consent of Philip Morris; and

(16) waive any entry fee to PWBA bowlers in conjunction with the Pro/Am Championship or Mixed Doubles Tournament; provided, however, that IMC will pay PWBA an amount equal to all such waived entry fees;

(B) **The STE/BPAA Agreement** The Agreement with STE on behalf of BPAA will provide that in connection with the Promotion BPAA will:

(1) distribute a maximum of three mailings, including a sign-up agreement (the "Sign up Agreement") and an Agreement Regarding the Use of Promotional Materials in the form attached hereto as Exhibit A, describing the Promotion to eligible BPAA member centers prior to the qualification events for the Regional Market Finals, with the content and timing of the mailings subject to the prior approval of Philip Morris;

(2) collect, retain originals and mail copies of each executed Sign-up Agreement and Agreement Regarding the Use of Promotional Materials to IMC on or before September 1, 1998;

(3) coordinate with the Centers and administer the "BASIC Star of the Game" and qualification events for the Regional Market Finals;

(4) coordinate and cooperate with the public relations agency designated by Philip Morris if and when requested by Philip Morris;

(5) appoint regional coordinators responsible for conducting the qualification events and Regional Market Finals and deliver a list of the coordinators to Philip Morris prior to the first Regional Market Final qualification event;

(6) assume responsibility for organizing and conducting the Regional Market Finals and the Pro/Am Championship;

(7) deliver IRS Form 1099s as appropriate;

(8) provide Philip Morris with a complimentary, full-page, four-color **BASIC** advertisement in ten 1998 issues of **Bowling Center Management** magazine, with art and keyline to be provided by Philip Morris;

(9) describe the Promotion in an article or editorial in **Bowling Center Management** magazine;

(10) grant Philip Morris exclusive tobacco sponsorship of BPAA and designate **BASIC** an official sponsor of BPAA;

(11) use best efforts to ensure that all Centers contribute \$4 from each Local Competition entry fee to the Regional Market Finals prize fund;

(12) grant Philip Morris the right to approve in advance all advertising, tickets, programs and promotional materials prepared by BPAA in connection with the Promotion;

(13) assist in the development and implementation of retail programs related to the Promotion;

~~[(14) develop an effective smoker name generation device to be used on all entry forms and use best efforts to ensure that no other entry forms are used in any Center in connection with the Promotion;]~~

~~[(15) assist Philip Morris in securing the cooperation of participating bowling Centers to allow permanent **BASIC Bowling Program** signage to be placed by Philip Morris in each Center;]~~ **select Centers;** and

~~[(16) not conduct any special promotion which is featured in connection with the Promotion without the prior written consent of Philip Morris.]~~

2070974314

(iii) IMC will deliver to Philip Morris a complete list of all Centers on or before September 15, 1998.

{(iv) If and when requested by Philip Morris, IMC will identify ten Centers [(the "Super Centers")] to receive enhanced promotional materials and additional promotions.}

{(v) IMC will use best efforts to ensure that the Centers grant Philip Morris exclusive signage, subject to applicable laws, site regulations and broadcast restrictions, if any. IMC will use best efforts to notify Philip Morris, in advance, of the existence of Center or governmental restrictions on the display of promotional materials. If Centers are contractually required to maintain fixed advertising for products that compete with Philip Morris products, IMC will use best efforts to notify Philip Morris, in advance, of the existence of the advertising.}

(vi) IMC, following consultation with and subject to the approval of Philip Morris, will use best efforts to arrange and supervise all production details with the Centers, the PBA, and STE (on behalf of PWBA and BPAA) and will ensure that Philip Morris supplied signage is posted at each Center in accordance with Philip Morris' specifications.

(vii) IMC will conduct planning sessions for the Promotion, which may be attended by Philip Morris representatives, to discuss matters including promotion strategies, production plans, advertising opportunities for Philip Morris during the Promotion, financial arrangements and the division of responsibilities for each aspect of the Promotion.

(viii) IMC will coordinate and cooperate with the public relations agency designated by Philip Morris if and when requested by Philip Morris.

(ix) IMC will serve as Promotion liaison on behalf of Philip Morris with all parties involved in the Promotion.

(x) IMC will obtain executed publicity releases, substantially in the form attached hereto as Exhibit B, acceptable to Philip Morris, from all participants in the Regional Market Finals and Pro/Am Championship. IMC will immediately deliver copies of the releases to Philip Morris upon execution.

(xi) IMC will use best efforts to ensure that, subject to applicable laws, site regulations and broadcaster restrictions, if any, the terms of the sign up agreement and the terms of the Agreement Regarding the Use of Promotional Materials entered into by IMC with each Center, all Centers are decorated in compliance with all Philip Morris' designated standards, including standards relating to:

- (A) interior signage
- (B) display tables
- (C) counter cards

*IMC Accountable
Agreement between IMC
and ctrs.
IMC to be accountable.*

(xii) IMC will arrange security for Philip Morris materials and equipment, and materials bearing **BASIC** brand identification, at each Promotion event prior to and including the Pro/Am Championship. The materials and equipment may not be moved or removed without Philip Morris' prior approval.

(xiii) IMC will plan and conduct all aspects of the Promotion in accordance with the highest standards of safety, to the full satisfaction of Philip Morris.

(xiv) IMC will develop and execute a written plan for a 1999 Promotion which must be submitted to Philip Morris for approval no later than January 15, 1999.

(xv) In connection with the 1999 Promotion, IMC will conduct a survey in conjunction with the BPAA, of all BPAA participating bowling centers using the survey form attached hereto as Exhibit C and will use best efforts to survey other bowling centers not affiliated with the BPAA (the "Survey"). IMC will tabulate the results of the Survey and provide Philip Morris with a written report summarizing the Survey findings no later than November 11, 1998. If, as and when requested by Philip Morris, IMC will assist Philip Morris in contacting bowling centers regarding participation in one or more 1999 BASIC Promotions.

(xvi) IMC will be available to meet at reasonable times with Philip Morris representatives at Philip Morris headquarters in New York or at other locations designated by Philip Morris.

~~(xvi) IMC will oversee and ensure the development of an effective smoker name generation device on entry forms and ensure that no other entry forms are used in any Center in connection with the Promotion.]~~

(c) The Promotion will be produced by IMC in accordance with the highest standards prevailing for similar first-class promotions in the United States. IMC will use best efforts to ensure that third parties conform to such standards. The parties intend to provide the best possible atmosphere and environment for the Promotion, and IMC will use its best efforts to accomplish this end. IMC will obtain all releases, licenses and other documents necessary for the performance of its duties under the Agreement.

2. Payment.

In full and complete consideration of the services rendered by IMC throughout the term of the Agreement, Philip Morris will pay IMC a fee of \$175,000. Philip Morris will pay IMC in eight installments as follows. The first installment will be in the amount of \$63,636.36 and will be paid within thirty days after the complete execution of the Agreement and submission of an itemized invoice. The second through seventh installments, each of which will be in the amount of \$15,909.09, will be paid within thirty days after Philip Morris' receipt

of an invoice on the first day of each calendar month beginning July 1, 1998 and ending January 1, 1999. The final installment, which will be in the amount of \$15,909.10, will be paid upon IMC's complete performance of services to the satisfaction of Philip Morris, delivery to Philip Morris of a final accounting and submission of an invoice.

3. Expenses.

Philip Morris will reimburse IMC, at cost, for prize monies, sanctioning fees, administrative fees and business and travel expenses incurred by IMC in connection with the Agreement in accordance with the budget attached hereto as Exhibit E D (the "Budget"). Expenses included within the Budget are presumptively reasonable and competitively priced. Expenses in excess of \$25 must be submitted with receipts. Expenses in excess of \$250 which are not included in the Budget must be approved in advance by Philip Morris. Total expenses may not exceed the amounts stated in the Budget without the prior written approval of Philip Morris. IMC may not apply funds allocated to one Budget category to any other category without the prior written consent of Philip Morris. Total reimbursement of expenses to IMC throughout the term of the Agreement will not exceed \$1,004,500 without the prior, written approval of Philip Morris.

4. Term, Termination & Renewal. [PLEASE CONFIRM]

(a) The term of the Agreement commenced as of February 1, 1998 and will continue through the later of ^{IMC} ICM's complete performance of all services, including the rendering of a final accounting, to the satisfaction of Philip Morris or Jan 31, 1999. Philip Morris may terminate the Agreement, with or without cause, upon thirty days' advance written notice to IMC. If Philip Morris terminates the Agreement without cause, Philip Morris will have no liability to IMC after the termination date specified in Philip Morris' notice of termination with the exception of fees earned for services satisfactorily performed, and documented expenses properly incurred, by IMC prior to the termination date.

(b) If any federal, state, municipal or local law, regulation, ordinance, order, ruling, judgment, consent decree or other governmental action becomes effective that makes the promotion of cigarettes or other tobacco products as contemplated by the Agreement unlawful, impracticable or, in the judgment of Philip Morris, materially reduces the value of the Agreement to Philip Morris. Philip Morris may terminate the Agreement as of the date that such law, regulation, ordinance, order, ruling, judgment, consent decree or action becomes effective. If the Agreement is so terminated, Philip Morris will have no liability to IMC after the termination date with the exception of fees earned for services satisfactorily performed, and documented expenses properly incurred, by IMC prior to the termination date.

(c) Philip Morris has the right to renew the Agreement for an additional one year term upon written notice delivered to IMC on or before November 28, 1998. If Philip Morris elects to renew the Agreement, all terms and conditions of the Agreement will be applied to any renewal, except for appropriate date changes. The parties will memorialize their agreement in a separate writing.

5. Records.

IMC, its employees and agents will maintain detailed and accurate books and records of account with respect to activities undertaken on behalf of Philip Morris in connection with the Agreement. Records of disbursements must indicate the check number, dollar amount, identity of the payee and reason for the expenditure. IMC will provide periodic reports as and when requested by Philip Morris and a final accounting within thirty days after completion of all services. The final accounting must include an itemization of all expenses incurred and must be certified by an appropriate corporate officer of IMC. At the request of Philip Morris, Philip Morris or its designated agent may inspect, review and copy IMC's books and records during normal business hours upon reasonable, advance notice to IMC and at the expense of Philip Morris.

6. Ownership.

All material prepared or developed by IMC for Philip Morris in connection with the Agreement will become the property of Philip Morris and IMC hereby agrees to assign to Philip Morris any and all rights to copyright the material. IMC will require that all employees, consultants and subcontractors performing creative services in connection with the Agreement agree to assign the materials they produce to Philip Morris and to acknowledge, in writing, that their copyrightable contributions are work made for hire and are owned by Philip Morris. IMC will obtain all releases necessary to the proper performance of the Agreement.

7. Confidentiality.

With the sole exception of information and materials clearly intended for distribution or exposure to the public (e.g. advertising or promotional materials), IMC, its employees and agents will hold strictly confidential the existence and terms of the Agreement and all information and materials provided by Philip Morris to IMC or created or acquired by IMC in performing services pursuant to the Agreement. IMC will not use or disclose to any third party the existence or terms of the Agreement, the information and materials or any other confidential information without the prior written consent of Philip Morris. Upon termination or expiration of the Agreement, or within thirty days thereafter, IMC will return all materials to Philip Morris. IMC's obligation to maintain confidentiality will survive the termination or expiration of the Agreement.

8. Indemnity.

(a) IMC agrees to indemnify and hold harmless Philip Morris, its affiliates and each of their respective officers, employees, directors and agents from all claims, liabilities, costs and expenses, including reasonable attorneys' fees, that arise from, or may be attributable to any error, omission or fault of IMC. IMC's obligation to indemnify and hold harmless will survive the termination or expiration of the Agreement.

2070974318

(b) Philip Morris agrees to indemnify and hold harmless IMC, its affiliates and each of their respective officers, employees, directors and agents from all claims, liabilities, costs and expenses, including reasonable attorneys' fees, that arise from, or may be attributable to any error, omission or fault of Philip Morris. Philip Morris' obligation to indemnify and hold harmless will survive the termination or expiration of the Agreement.

9. Insurance. [PLEASE CONFIRM]

(a) Within ten days after execution of the Agreement, IMC will deliver to Philip Morris certificates of insurance evidencing coverage in connection with IMC's activities relating to the Promotion for (1) comprehensive general liability, including advertisers', participants', spectators', host liquor and contractual liability, with limits of no less than \$5,000,000 combined single limit for bodily injury, including personal injury, and property damage; (2) comprehensive automobile liability, including all owned, non-owned and hired vehicles, with limits of no less than \$5,000,000 combined single limit; (3) statutory workers' compensation coverage meeting all state and local requirements; and (4) employer's liability with limits of no less than \$500,000. The insurance certificates required by subparagraphs (1) and (2) above must name Philip Morris, its affiliates, employees and assigns as additional insureds and state that Philip Morris will be provided at least thirty days' advance, written notice of cancellation or modification of the insurance. The insurance required must be primary coverage without right of contribution from any other Philip Morris insurance.

(b) IMC will procure comparable certificates of insurance from all subcontractors of IMC and the insurance must name Philip Morris and its affiliates, agents, representatives, employees and assigns as additional insureds.

(c) Within ten days after execution of the Agreement, Philip Morris will deliver to IMC certificates of insurance evidencing coverage in connection with Philip Morris' activities relating to the Promotion for comprehensive general liability, including advertising injury coverage with limits of no less than \$5,000,000 combined single limit for bodily injury, including personal injury, and property damage naming IMC, its affiliates, employees and assigns as additional insureds and must state that IMC will be provided at least thirty days' advance written notice of a cancellation or modification of the insurance].

10. Independent Contractor.

IMC is an independent contractor and the Agreement shall not be construed to create an association, partnership, joint venture or relation of principal and agent or employer and employee between Philip Morris and IMC or any of its employees or agents within the meaning of any federal, state or local law. Neither IMC nor Philip Morris will enter into any agreement, oral or written, on behalf of the other party or otherwise obligate such party without such party's advance written approval.

2070974319

11. Exclusivity.

During the term of the Agreement, and for six months thereafter, IMC will not, without the prior consent of Philip Morris, engage in promotional or similar activities in the sport of bowling for any person, company or other entity whose business competes with any tobacco product of Philip Morris.

12. Force Majeure.

Force majeure, acts of God, or other causes beyond the reasonable control of either party delaying or causing the cancellation or delay of the performance of the Agreement will not subject IMC or Philip Morris to any liability hereunder, except if, and to the extent, otherwise specifically provided herein

13. Miscellaneous.

(a) The Agreement and all matters collateral hereto shall be governed by the laws of the State of New York applicable to agreements made and to be performed entirely within the State of New York.

(b) IMC must comply with all applicable laws, regulations, and ordinances relating to its performance of services pursuant to the Agreement. IMC acknowledges that it is cognizant of the provisions of 15 U.S.C. 1331 *et seq.*

(c) The Agreement is the complete agreement between the parties and supersedes any prior oral or written agreement between the parties concerning the subject matter of the Agreement.

(d) If any provision of the Agreement is held invalid or unenforceable, the remaining provisions will remain in effect.

(e) The Agreement may not be modified, amended or assigned except in a writing signed by both parties. If an assignment occurs, the assignment will not relieve the assigning party of its liabilities or obligations under the Agreement. The Agreement is binding upon successors and assignees of the parties.

(f) A waiver by either party of any term or condition of the Agreement in one or more instances will not constitute a permanent waiver of the term and condition or any other term or condition of the Agreement or a general waiver.

(g) Notices provided hereunder shall be in writing and sent by certified mail, return receipt requested. Notices to IMC will be sent to 22 E. 71st Street, New York, New York 10021, Attention: Mr. John J. Kenney. Notices to Philip Morris will be sent to Philip Morris Incorporated, 120 Park Avenue, New York, New York 10017, Attention: Director, Event Marketing .

2070974320

IN WITNESS WHEREOF, the parties have executed the Agreement as of the date first above written.

**INTERNATIONAL MERCHANISING
CORPOATION**

By: _____

Title: _____
pmusa\misc\imebasic983.doc imebasic984.doc

PHILIP MORRIS INCORPORATED

By: _____

Title: _____

EXHIBIT A
FORM OF SIGN-UP AGREEMENT
BASIC IS GREAT IN 1998

[It was the **MERIT** Star of the Game and now it's the **BASIC** Star of the Game, but it is still the same money-making tournament for your bowling center this fall.]

[Please return this card by August 24, 1998 to ensure timely receipt of **BASIC** point of sale materials. *League qualifying starts September 21, 1998*]

Yes, I would like to participate in the 1998 Basic Bowling Program. Please send all tournament information to the following address:

Center: _____

Member #: _____

UPS Shipping Address: _____

City, State, ZIP: _____

Telephone: (____) _____

~~BASIC promotional and point of sale materials are intended for adult smokers. In consideration of receiving BASIC point of sale and promotional materials, I agree to abide by all restrictions and instructions concerning the placement of such point of sale and promotional materials.~~ Yes, I will use all counter cards, brochures and posters provided to me in connection with the Program in accordance with the instructions made known to me by the Bowling Proprietors' Association of America, International Merchandising Corporation IMC or Philip Morris Incorporated which are intended to achieve placement and distribution to reach the intended audience. I further agree that all promotional materials, other than posters, counter cards, ashtrays and brochures, will only be placed in the bar area of my center.

Yes, my center has a bar area.

Yes, my center will sell **BASIC** cigarettes in our bar area.

2070974322

Yes, I would like to receive promotional and point of sale materials for use in the bar area of my center only and have signed the Agreement Regarding the Use of Promotional Materials attached hereto.

In-House Director: Name: _____ Signature: _____

AGREEMENT REGARDING USE OF PROMOTIONAL MATERIALS

This agreement is entered into as of _____, 1998, by and between International Merchandising Corporation ("IMC") and _____ (the "Bowling Center") pursuant to which the 1998 BASIC Bowling Promotion will be conducted at the Bowling Center from _____, 1998 to _____, 1998.

The Bowling Center acknowledges and agrees that BASIC promotional and point of sale materials are intended for adult smokers. In consideration of receiving BASIC point of sale and promotional materials, the Bowling Center agrees to abide by all restrictions and instructions concerning the placement of such point of sale and promotional materials made known to the Bowling Center by the Bowling Proprietors' Association of America, IMC or Philip Morris Incorporated which are intended to achieve placement and distribution to reach the intended audience. The Bowling Center further agrees that all promotional materials, other than posters, counter cards and brochures, will only be placed in the bar area of the Bowling Center.

and attorney ✓

ACCEPTED AND AGREED
AS OF THE DATE HEREOF:

[BOWLING CENTER]

INTERNATIONAL MERCHANDISING
CORPORATION

By:

By:

Title:

Title:

EXHIBIT B

Date

Dear **BASIC** Bowler:

You have been selected for possible inclusion in advertising, promotional and informational materials and videotapes to be produced in connection with the **1998 BASIC Bowling Program**. Philip Morris Incorporated will utilize the materials in its efforts to inform others of the impressive participants in, and the breadth of, the **BASIC Bowling Program**.

Please sign below to acknowledge your receipt of this letter and consent to being featured in the materials and video. By your acknowledgment and consent, you will grant Philip Morris Incorporated the right to quote you and to use your name and likeness for the purposes described without further notice or compensation. Return the original letter to my attention at your earliest convenience. The copy is yours. Thank you for your anticipated assistance.

Sincerely,

Christine Conway
Manager, Event Marketing

EXHIBIT C EXHIBIT C

FORM OF BOWLING CENTER SURVEY FOR 1999 PROMOTION

[TO BE PROVIDED]

- Bowling ctr survey for -

Re?

• include attachment
to IMC and provide
to Joe Mirello.

EXHIBIT D

BUDGET

I. Below is the breakdown for the 1998 **BASIC Bowling Program** Prize Fund, Sanctioning Fees and Administrative Expenses.

A. **1998 BASIC Bowling Program** Prize Fund

| | | <u>Date due to IMC</u> |
|------------------------------------------------------------|------------------|----------------------------|
| Regional Prize Fund (\$2,750 x 50 regional tournaments) | \$137,500 | 10/25/98 |
| BASIC Pro-Am | \$125,000 | 11/22/98 |
| BASIC Mixed Doubles | <u>\$200,000</u> | 11/22/98 |
| Total | \$462,500 | |

B. **1998 BASIC Bowling Program** Sanctioning Fees

Strike Ten Entertainment (STE) on behalf of Bowling Proprietors' Association of America (BPAA)

| | |
|-----------------|----------|
| \$30,000 | 3/1/98 |
| <u>\$30,000</u> | 10/29/98 |
| \$60,000 | |

Professional Bowlers Association (PBA)

| | |
|-----------------|----------|
| \$22,500 | 3/1/98 |
| <u>\$22,500</u> | 10/29/98 |
| \$45,000 | |

STE on behalf of Professional Women's Bowling Association (PWBA)

| | |
|-----------------|----------|
| \$22,500 | 3/1/98 |
| <u>\$22,500</u> | 10/29/98 |
| \$45,000 | |

Total **\$150,000**

2070974326

C. 1998 **BASIC** Bowling Program Administrative Expenses

| | | |
|------------------------------------------------------|-----------------|---------|
| Regional BPAA Office (\$1,750 x state 50 markets) | \$87,500 | 10/1/98 |
| Philip Morris Brand Rankings | <u>\$ 2,500</u> | |
| Total | \$90,000 | |

D. 1998 **BASIC** Bowling Point Standings

| | | |
|---------------------------------------------|-----------------|----------|
| Professional Bowlers Association | \$10,000 | 11/22/98 |
| Professional Women's Bowling Association | <u>\$10,000</u> | 11/22/98 |
| | \$20,000 | |

E. 1998 **BASIC** Showdown

| | | |
|------------|----------|----------|
| Prize Fund | \$30,000 | 11/22/98 |
|------------|----------|----------|

GRAND TOTAL FOR I **\$752,500**

II. Below is a breakdown of estimated out-of-pocket expenses which will be incurred by IMC in conjunction with the 1998 **BASIC** Bowling Program.

A. Travel Expenses

| | |
|------------------------------|-----------------|
| Airfare | \$10,000 |
| Lodging (hotel, meals) | \$ 3,750 |
| Rental car | \$ 1,750 |
| Other (phone, postage, etc.) | <u>\$ 1,750</u> |
| Total | \$17,250 |

B. Office Expenses

| | |
|------------------------|-----------------|
| Federal Express | \$ 1,200 |
| Messenger Service | \$ 750 |
| Miscellaneous Expenses | <u>\$ 800</u> |
| Total | \$ 2,750 |

C. Fulfillment \$ 45,000
D. Trophies \$ 10,000
E. Photography \$ 10,000

2070974327

| | | |
|----|-----------------------------------------|------------------|
| F. | Pro/Am Appearance Fee for Professionals | \$ 10,000 |
| G. | Pro Tournament Alternate Fees | \$ 5,000 |
| H. | Pro Bowler Entry Fees | \$ 12,000 |
| I. | Receptions | \$ 60,000 |
| J. | Linage Fees | \$ 5,000 |
| K. | Finalists' Expenses | |
| | Coach Airfare | \$ 40,000 |
| | Hotel | \$ 20,000 |
| | Per Diem | <u>\$ 15,000</u> |
| | Total | \$ 75,000 |

GRAND TOTAL FOR II **\$252,000**